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OVERCOMING EUROPEAN INTERNAL BORDERS: TOWARDS A GENUINE SINGLE EUROPEAN MARKET

Andra Maria POPA*

Abstract. *This article focuses on analysing the implications for European integration of overcoming the internal economic borders between the 27 member states and of moving towards a fully-functioning single European market. For examining the continuous process of eliminating barriers and reviewing shortcomings within the single market, an analysis of official EU documents and reports and of specialized literature on the topic of the European single market is conducted. As history has shown, the process of establishing the single European market and making it deliver at its full potential was a continuous struggle to overcome the borders between the EU member states. The analysis has pointed out that the efforts towards completing the single market are characterised by a mixture of negative (i.e. removal of barriers) and positive (i.e. creation of common institutions and regulations) integration strategies. Given the existence of both functional and political spillovers in the evolution of the single market, the neo-functionalist approach seems to be the most suited to explain the process of integration which takes place through the single European market.*

Keywords: *negative integration, positive integration, barriers, common regulations, neo-functionalism*

1. Introduction

The first decade of the 21st century was quite eventful for the European Union, because a lot of decisions were taken within this period that would affect

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future developments of the Union and would move it towards “more Europe”. The EU’s enlargement towards Central and Eastern Europe (in 2004 and 2007) is an important milestone in the history of the EU. Through significantly increasing the number of EU member states from 15 to 27, the Central and Eastern Europe enlargement added another success to the process of European integration and created the premises for a more united European continent. Since it was obvious that the rules which had been applied to a Europe of 6 cannot be valid in a Union of 27 member states, some institutional and policy changes had to be made in order to adapt the functioning of the EU to the new internal and global context. Therefore, the instruments for the much expected institutional and political reform within the EU were introduced through the Treaty of Lisbon, which entered in force on 1st December 2009. This change in the European legislative framework was necessary for creating the favourable prerequisites for undertaking internal economic and social reforms within the EU.

Despite its immediate concern to find an appropriate solution to the Euro-zone crisis, the EU has to develop ways to help its member states recover from the financial and economic crisis. Thus, the EU decided to focus its future actions and the ones of its member states on achieving smart, sustainable and inclusive growth, by adopting, in June 2010, the Europe 2020 Strategy. In this context, both the European Commission (2010a: 20) and the European Council (2011:1) stressed out the crucial role of the single European market¹ in providing the necessary framework and tools for implementing the structural reforms needed to restore growth and ensure job creation within the EU. Therefore, the second European Commission led by José Manuel Barroso set as one of its strategic objectives the re-launch of the single European market.

This paper focuses on analysing the implications for the European integration process of overcoming the internal economic borders between the 27 member states and of moving towards a fully-functioning single European market. The article rests on the hypothesis that, through removing all the barriers to the free movement of goods, services, capitals and people within the EU, thus strengthening the single market, a closer economic coordination (i.e. integration) between the EU member states’ economies can be achieved. The functioning of the single market at its full potential is essential for the development of an EU-wide “highly competitive social market economy” (Treaty of the European Union, art. 3.3) and, therefore, for the reinforcement of the European economic and

¹ Although the treaties of the EU and some EU official documents use either the expression *common market* or *internal market*, within this article, the author of this paper has chosen to use the expression *single market* for a better conceptual understanding and consistency in communication. For more details about the conceptual choice of *single market* over *internal common market*, see Monti 2010: 13.

social model, which would lead to a deeper political integration of the 27 EU member states.

From the methodological point of view, this article is based on an analysis – from a historical perspective – of the single European market's evolution; the analysis is delivered through examining the continuous process of eliminating barriers and reviewing shortcomings within the single market and trying to overcome the traditional borders between the EU member states. In this respect, an analysis of official EU documents and reports and of the specialized literature on the topic of the European single market is conducted.

2. European integration and European borders

Before starting the analysis of the single European market, it is necessary to make some conceptual clarifications. First of all, it is necessary to establish what the author of this paper means by *integration of the EU member states*. The definition given by Lindberg was considered to be the most appropriate for the purposes of this paper. Thus, integration is seen as a process through which nations give away their “ability to conduct foreign and domestic policies independently of each other, seeking instead to make joint decisions or to delegate the decision-making process to new central organs, and the process whereby political actors in several distinct settings are persuaded to shift their expectations and political activities to a new centre” (Niemann and Schmitter, 2009: 47 *apud* Lindberg, 1963). In accordance with the neo-functionalist central assumption regarding the emergence of spillover² effects, greater integration within a certain economic sector will push for integration within other sectors as well, creating a deeper integration of the member states' economies and, thus, producing pressure for a higher authority given to the European level (Rosamond, 2000: 60 *apud* Haas, 1968). This type of integration can be pursued through either negative integration (i.e. removal of barriers) or positive integration (i.e. creation of common institutions and regulation). Responsible for supporting the integration process are subnational actors (i.e. business associations, trade unions, political parties, other interest groups) and supranational institutions³ (Niemann and Schmitter 2009: 49-50, *apud* Haas, 1958). Due to the importance of supranational actors, such as the European Commission, and of transnational business interests in shaping the European single market agenda, the neo-functionalist approach has proved to be the most

² In the literature, this type of economic-based explanation for pushing for further integration is also referred to as *functional spillover*.

³ This pressure exerted by the subnational and supranational actors towards greater integration is known in the literature as *political spillover*.

appropriate to explain the process of integration responsible for completing the single European market (Egan, 2010: 271-272; Young, 2010: 115-116).

A second clarification needs to be made about the meaning of the concept *European borders*, used in this article. According to the Macmillan English Dictionary (2002: 151), a border is commonly defined as an official line separating two countries or regions; thus, traditionally, borders can be interpreted in a geographical, territorial sense. Within the past two decades, a quite surprisingly growing scholarly interest in studying the various understandings of borders occurred world-wide. Some authors (Anderson et al., 2003) believe that this re-discovery of borders, together with the plethora of border-related research developed recently, is mostly determined by the processes of globalization and regionalization. After decades of seeing the world “as a system of bordered national states, national economies and national societies” (Anderson et al., 2003: 2), nowadays, we are facing a substantial transformation in the interpretation of state borders, as a consequence or as a reaction to globalization. Neo-liberal initiatives such as reducing trade barriers, creating supranational networks and increasing cross-border movement of goods, services, capitals and people are meant to contribute to creating a “borderless world” (Anderson et al., 2003: 10; Anderson and Bort, 2001: 36), despite the considerable number of rejections or partial implementation of the above mentioned actions. This faulty application of the free-market principles leads to a selective, if not preferential openness of borders; in other words, it creates a differentiation between several types of borders.

In this context, the EU is an interesting case for research because it provides a good example for the diversification of borders. When talking about the EU, the most important distinction is made between EU’s internal borders and its external ones, but among both categories several other differentiations occur. Since the beginnings of the European integration process in the 1950s, the frontiers between the EU member states have been constantly reduced, creating the pre-conditions for collective action among member states and other subnational actors, as well as an “area in which individuals and groups can exercise rights and engage in legitimate activities” (Anderson and Bort 2001: 12). Thus, through weakening the frontiers between the member states and facilitating transnational cooperation and European supranational interest groups creation, the EU is trying to strengthen the political side of its integration process (see also Anderson et al., 2003: 21-22). An additional distinction between the EU’s internal borders is determined by whether an EU member state is or not subject of the Schengen Agreement or part of the Euro Zone (Anderson et al., 2003: 10).

Despite its neo-liberal fundaments, the continuous reduction of internal borders, has, according to Anderson et al. (2003, p.21), determined a surprisingly need for strengthening the external borders of the EU, especially in regards to the free movement of people. Among the external borders of the so-called “Fortress

Europe” another distinction ought to be made: there are EU’s external borders in general and EU’s external borders with states which are in various stages of accession to the EU, i.e. candidate states (Anderson et al., 2003: 10-11). Following a federalist perspective, it can be noted that the frontiers between the EU member states are more and more becoming similar to those of the states within a federation and the external border of the EU is being shaped as a state-like border (Anderson and Bort, 2001: 44).

After reviewing several understandings of borders in the context of European integration, it is necessary to provide the working definition for the expression *European internal borders*, which will be used in the analysis. Thus, in this paper, the borders within the EU are regarded as barriers (especially economic ones) to the completion of the single European market (Anderson et al., 2003: 20). The evolution of the single market is marked by both elements of negative integration between all EU member states (i.e. the reduction of barriers for free movement of goods, services, capitals and people) and positive integration ones (i.e. the development of common European rules regarding the single market). Therefore, the process of establishing a fully-functioning single European market is both a de-regulatory and re-regulatory process. It is important to say that besides economic barriers, in the process of completing the single market, the borders between the EU member states come also in the shape of “administrative, legal, political, cultural and even psychological barriers” (Anderson et al., 2003: 21), which have to be managed in a coordinated way, especially through developing common regulations (i.e. through positive integration).

3. The Single Market – historical evolution

The first attempt to overcome the traditional borders of the national states within modern-day Europe was the establishing of the European Coal and Steel Community (ECSC) at the beginning of the 1950s. Thus, in 1951, through the signing of the Treaty of Paris, France, West Germany, Italy, Belgium, Luxembourg and the Netherlands decided to create a single market for coal and steel; for ensuring the well-functioning of this market, was appointed responsible the supranational institution of the High Authority (TECSC art.8). Through eliminating the restrictions against the free flow of products and people employed in the coal and steel industry of the 6 signatory states, the Community had the task of contributing to the economic expansion, the growth of employment and the rising of living standards in the member states (TECSC art.2). Thus, the creation of the ECSC marked the beginning of the irreversible process of partial federalization (Bărbulescu, 2008: 43) based on progressive integration of specific economic sectors of the founding states.

A further step towards the integration of the West European states was made through the Spaak Report, which provided the basis for the treaty negotiations which lead to the signing of the Treaty of Establishing the European Economic Community (TEEC) in 1957. The Spaak Report suggested the creation of a West European single market, based on three main elements (Egan 2010: 259): (1) the establishment of normal standards of competition through the elimination of protective barriers; (2) the reduction of state intervention and monopolistic conditions; and (3) measures to prevent distortions of competition, including possible harmonization of legislation at the European level. This ambitious proposal served as a fundament for the TEEC, whose main objective was to establish a single market through a continuous coordination of the economic policies of the member states, in order to ensure a harmonious economic development, stability and an improvement in the standard of living throughout the Community (TEEC art.2). The single market described by the TEEC was a genuine single market as it went beyond creating a custom union between the member states; it also implied eliminating barriers for the free flow of services, capitals and persons, the integration of some policies (agriculture, transport), the establishing of a system for ensuring un-distorted competition within the market, the harmonization of member states' legislation required for a proper functioning of the market, the promoting of close cooperation between member states in the field of social policy regarding the improvement of working conditions and standards of living for workers, and last, but not least, the coordination of economic policies of the member states, so that disequilibria in their balances of payments could be remedied (TEEC art. 3). Thus, by both means of negative (i.e. eliminating barriers for free movement of goods, services, capitals and persons) and positive integration (i.e. creating common policies and harmonizing the member states' legislation), the TEEC created the framework for exceeding the borders between states and enhancing the economic and social cooperation between them. The role of agenda-setting in regard to the establishing of the European single market was assigned to the Commission, which was responsible for determining the timetable for creating the custom union, for making proposals for directives on single market issues, for assessing the members states' actions towards the market integration and for providing country-specific recommendations. Thus, the Commission was enforced to put pressure on national governments to engage in a deeper integration through reducing the economic barriers within the Community and accepting common regulations on single market issues. This would result in a gradual liberation of internal borders and a better economic policy coordination of the member states.

According to the TEEC art.8, the establishing of the single market had to be completed within 12-15 years. Since the steps towards creating a custom union were more detailed in the Treaty and easier to accept by the member states, the Community succeeded in eliminating custom duties and quantitative restrictions

and adopting a common external tariff (towards third part countries) by 1968. Some accomplishments for ensuring a larger freedom of movement were also made within this period: free Foreign Direct Investment throughout the EEC, the right to establish a business (industrial or commercial) anywhere in the EEC, the abolition of restrictions for labour mobility (Egan, 2010: 260; Pelkmans, 2008: 119). In this context, although trade restrictions have been lifted within the Community, other types of barriers were revealed and, thus, the borders between the member states did not disappear, but their nature changed. Thus, the physical and trade borders were replaced by more subtle borders such as local market preferences (Young, 2010: 109) or market ideology (i.e. the way the national economy is organized and regulated – Egan, 2010: 260-261). Despite notable results in reducing tariff barriers, the common market did not comply with its definition in the TEEC.

In the 1960s and 1970s the Commission of the EEC was mainly concerned with harmonising member states' regulations in order to establish the single market, but achieved little success. Much of the poor results were determined by either the difficulty to make all member states fall to an agreement⁴ or by the incapacity of the harmonization process to keep up with the rapid changing industrial and technological environment⁵ (Egan, 2010: 262). As a result, much of the earlier success achieved in coordinating member states' policies was undone as the member states adopted several measures to protect their industries and citizens; thus, the number of cases reported to the European Court of Justice, regarding the free movement of goods, increased significantly (Young, 2010: 110).

A worthwhile mentioning case is the *Cassis de Dijon* judgement of the Court in 1979, when a national regulation fixing the minimum alcohol content for alcoholic beverages was interpreted as an equivalent for a quantitative restriction, and, thus, created the fundamentals for the mutual recognition principle⁶. One can say that the period of the 1960s-1970s was marked by a considerable stagnation, if not regression, in overcoming the borders between the member states of the Community, since the integration process was slowed down by a revival of non-tariff barriers.

⁴ According to the TEEC, most decisions on single market issues were taken through the unanimity rule; thus, the veto coming from a member state had often blocked discussions on harmonization issues within the Council.

⁵ Because of the complexity and duration of the harmonization process, some agreements were outdated by the time they started to have effects.

⁶ According to the Commission, the mutual recognition principle states that „goods which are lawfully produced in one member state cannot be banned from sale on the territory of another member state, even if they are produced to technical or quality specifications different from those applied to its own products. The only exception allowed - overriding general interest such as health, consumer or environment protection - is subject to strict conditions. The same principle applies to services”, http://europa.eu/legislation_summaries/internal_market/internal_market_general_framework/121001b_en.htm, accessed on November, 14, 2011.

In the early 1980s, the member states of the EEC were confronted with a poor competitiveness on global scale in comparison to the United States, Japan and the newly industrialized countries; at the same time, they were facing large trade deficits, high inflation and unemployment, but their national policies weren't capable of providing a proper solution for these imbalances. The economic interdependence of the member states had reached such a level that the only solution for recovering from this crisis was for them to act in a coordinated manner and find a common response to the economic problems of the region (Young, 2010: 111). Thus, in the following years, a strong Community-wide support emerged for the neo-liberal economic ideas that prefer market liberalization over government intervention as an economic growth generator (Young, 2010: 111-112; Egan, 2010: 264-265). In this context, a lot of voices (both within the European Council and the business sector) were calling for the completion of the single market and a greater integration between the member states. As a result, a new approach on harmonization of markets appeared: the harmonization process was limited to setting minimum essential requirements, therefore leaving room for member states to exercise the principle of mutual recognition of equivalent national rules (Young, 2010: 112-113). Thus, the Community was entitled to set essential requirements regarding health, security, environment and consumer protection, and these standards were developed by European (supranational) standardizing bodies, such as the European Committee for Standardization (CEN) and the European Committee for Electro-technical Standardization (CENELEC).

The period 1985-1986 set out two major developments for the single European market: (1) 1985 was the year when the Commission's President Jacques Delors engaged in the completion of the single market by 1992, and (2) 1986 was the year when the Single European Act was signed, which introduced some important changes in the governing of the single market. The White Paper for completing the single market, elaborated by the Delors Commission and submitted to the European Council in June 1985, consisted of a comprehensive analysis of the barriers to the free flow of goods, services, capitals and people within the Community. In support of the European Council's repeated commitment to the completion of the single market, the Commission (1985) proposed a list of approx. 300 measures to be undertaken in regard to removing the three main categories of barriers: physical, technical and fiscal, and provided also a timetable for enforcing these measures. The Commission's proposal was part of the so called "new approach" on the single market (also known as "the 1992 programme") and was endorsed to the Single European Act. The measures outlined in the White Paper can be interpreted both as means of negative integration (e.g. eliminating intra-Community border controls for goods and individuals, removing technical trade barriers, establishing the right of workers to engage in their profession throughout the Community, ensuring the free exchange of financial products at the

Community level) and of positive integration (e.g. common telecom standards, adopting a Community trademark system). This new strategy for eliminating the borders of the member states through economic integration was complemented and supported by the entry in force of the Single European Act (SEA). The SEA introduced some important legal provisions regarding the European single market. First, it defined the single market as “an area without internal frontiers in which the free movement of goods, persons, services and capital is ensured” (SEA, art.13), putting an emphasis on the fact that the borders between the member states consisted not just of customs (i.e. territorial frontiers), but also of fiscal or regulatory frontiers, which have to be overcome in order to avoid the fragmentation of the single market (Pelkmans, 2008: 120-121). Second, the SEA changed the main European decision-making rule regarding single market related issues from unanimity to qualified majority voting (SEA, art.14), thus easing the adoption of the measures for completing the single market. Last, but not least, the SEA enhanced the power of the European Parliament within the Community, by introducing the co-operation procedure on issues that aim at establishing a functional single market (SEA, art.18); this increase in the European Parliament’s decisional power was believed to make the adoption of Community decisions on single market issues more complicated, but, at the same time, more legitimate, due to the Parliament’s ability to represent civic interests (Young, 2010: 119). Only thanks to the combination of the SEA provisions on market integration with the measures presented within the Commission’s White Paper could the goal of completing the single European market become more realistic and achievable (Pelkmans, 2008: 121).

Between 1985 and 1992 the measures for completing the single market, which were indicated in the “1992 Programme”, were implemented according to the timetable set by the Commission. In March 1992, the Commission called up for a report that would assess the progress of removing the economic borders between the member states and would provide a strategy for continuing the efforts for market integration after 1992. The recommendations came in the form of the Sutherland Report (1992), which suggested that the direct actors affected by the single market regulation (i.e. consumers and businesses) should be better informed about the instruments of the single market and should be consulted more often when developing regulation for the single market; the decision-making process and the Community legislation should also be more transparent; there should be a closer cooperation between the Commission and national administrations in order to ensure that uneven implementation of legislation would not create barriers to trade. In the same year, the Treaty on European Union (commonly known as the Treaty of Maastricht) was signed and introduced a major change regarding the decision-making process on single market issues: the co-decision procedure, through which the European Parliament becomes a co-legislator together with the Council. The Treaty on European Union also set out the coordinates for creating

the Economic and Monetary Union (EMU), as a next stage of the European integration process. Thus, for a while, much of the attention was diverted towards the objective of establishing the EMU and introducing the Euro currency. But still, EU officials were aware that the single market wasn't fully integrated and further actions needed to be undertaken in order to continue eliminating the borders between the member states. Therefore, based on the recommendations of the Sutherland Report, the Commission elaborated, in 1997, an Action Plan for the single market, which outlined the main priorities for improving the functioning of the single market by 1999. By agreeing on the measures and deadlines introduced through the Action Plan, the member states committed themselves to continuing the process of completing the single market, and thus boosting employment and growth. Using a three-phase approach⁷, the Commission (1997) set out four strategic objectives: (1) making the rules of the single market more effective (i.e. proper enforcement and simplification of rules at Community and national levels); (2) dealing with key market distortions (i.e. tax barriers and anti-competitive behaviour); (3) removing obstacles to market integration in several sectors (i.e. new legislative measures and changing national administrations' attitudes); (4) delivering a single market for the benefit of all citizens (i.e. the social dimension of the single market). The measures prescribed by the Commission target important sectors of member states' economies (e.g. taxation, consumer rights, trade, technologies, transport) in which the barriers should be lifted and common regulation should be elaborated and enforced. Thus, the Commission encouraged that, by both negative and positive integration strategies, the borders between the member states should be abolished. As a promoter of integration within the EU, the Commission launched a Single Market Scoreboard, which was meant to assess the member states' efforts to implement single market legislation and the frequency of single market infringements by each member state, thus trying to push the member states for greater compliance with common regulations. Through the Single Market Scoreboard, the Commission was interested in evaluating the depth of the integration between the member states, provided by both means of negative and positive integration. As Hix (2005: 241-242) notes, between 1997 and 2003, there have been considerable improvements in the

⁷ The specific actions presented by the Commission in the Single Market Action Plan were divided in three main categories: (1) actions which can be implemented in the very short term, because they do not require additional EU legislation, just the putting into practise of previous commitments; (2) measures which have already been proposed and need to be adopted as soon as possible by the Council and the European Parliament; (3) actions which either have already been proposed by the Commission, but work towards them is less advanced, or actions for which proposals from the Commission should be urgently made; in both cases, the Council and the European Parliament should give them priority, http://ec.europa.eu/internal_market/strategy/action-plan_en.htm, accessed on Nov., 11, 2011.

transposition of EU legislation into national law, but there were important differences in the implementation rates of the member states; at the same time, the number of infringements launched by the Commission was still growing.

In order to continue the strengthening of the single market, the Commission presented, in 1999, the Strategy for Europe's Internal Market, based on four long-term strategic goals⁸, developed through a series of operational objectives and target actions. The short-term target actions were reviewed by the Commission each year, taking into account the actual functioning of product and capital markets and the feedback received from citizens and business. In May 2000, the Commission updated the actions within the Strategy, so that they could contribute to the goal set out at the Lisbon European Council of making the EU the most competitive and dynamic knowledge-based economy in the world. Throughout the entire 2000-2006 period, the Commission highlighted in its reports on the Internal Market Strategy the fact that all stakeholders involved in the implementing the Strategy's actions have to deliver their promises and achieve the goals for completing the single market, especially through improving the implementation and enforcement of single market laws (i.e. positive integration) and eliminating obstacles for any kind of movement EU-wide (i.e. negative integration).

Having in mind the accession of the last two countries from the great Central and Eastern Europe enlargement, the Commission launched in 2007 a new, reviewed approach on the single market. The shift away from the hitherto approach on completing the single European market – mainly based on removing cross border barriers – was introduced by the initiative called 'A Single Market for 21st Century Europe'. This initiative recommends a much impact-driven handling of the single market, using a more targeted set of policy instruments and putting a greater focus on implementation and enforcement, on consulting and involving stakeholders, on simplifying existing legislation and on systematic assessment of policies and laws (Commission, 2007: 4). This new approach on market integration is considered to be rather a shift in emphasis than a radical change (Young, 2010: 128); since most of the legal barriers for trade were removed at least formally, the Commission turned its attention towards examining whether these borders are also eliminated in practice, so that private actors – both businesses and consumers – could take full advantage of the removal of economic borders. Thus, a greater emphasis was put on assessing the actual results of the negative integration actions undertaken so far. According to this new approach, the Commission, as the supranational actor responsible for supporting the integration

⁸ The Commission (1999, p. 2) identified the following four strategic objectives: (1) improving the quality of life of citizens; (2) enhancing the efficiency of the EU's product and capital markets; (3) improving the business environment; (4) exploiting the achievements of the Internal Market in a changing world.

of the EU member states, had only the task of reviewing existing EU legislation on the single market. Therefore, little integration resulted from positive integration initiatives of the Commission.

4. The European Single Market today

In 2008, a first report on the implementation of this new vision for the single market of the 21st century was released. Despite its attempt to suggest some measures to be undertaken for the re-launch of the European economy, the Commission's report was overshadowed by the crisis that hit the EU in 2009 and by the uncertainties regarding the ratification of the Lisbon Treaty. Thus, due to other more stringent matters, the interest of EU political leaders in the single market dropped significantly at that time.

The Treaty of Lisbon, which entered into force on 1st December 2009, introduced some important changes in the functioning of the EU institutional system and within the EU policies framework. Regarding the single European market, the Treaty has brought only modest changes. According to art. 4 of the Treaty on the Functioning of the European Union (2008), on issues related to the single market, the EU shares competences with the member states. This means that, in the field of internal market, both member states and the EU have the power to make laws. Member states are able to exercise their competence only in so far as the EU has not exercised, or has decided not to exercise, its own competence. In addition, the Treaty of Lisbon also introduced new single market related decisions under the ordinary legislative procedure⁹ (e.g. issuing directives on the liberalization of specific services; measures relating to the approximation of national provisions concerning the establishment and functioning of the internal market; measures concerning the creation of European intellectual property rights to provide uniform intellectual property rights protection throughout the Union).

After his second re-election as President of the European Commission in September 2009, José Manuel Barroso set out as a strategic goal for the new Commission the re-launch of the single market. As a first step in pursuing this task, president Barroso contacted former commissioner Mario Monti and entrusted him with the preparation of a report containing recommendations on how to re-launch the European single market. Thus, the single market has returned on the EU political agenda and, together with the actions within the Europe 2020 Strategy, is meant to shape the future of the European economy. In May 2010, former commissioner Monti submitted his report, which reviews the challenges that the completion of the single market faces today and outlines a

⁹ The ordinary legislative procedure is the new name of the former co-decision procedure.

strategy for effectively re-launching the single market. Monti (2010) identified three main challenges for the single market: (1) the poor political and social support for further market integration within the EU¹⁰; (2) the differentiated policy attention given to the development of various components of the single market¹¹; (3) the complacency in the belief that the single market has been completed and no further political attention has to be diverted towards it¹². While reviewing the different approaches to the single market identified among the member states, Monti stresses out the need to reconcile these diverse perspectives and engage in a new programme of re-launching the single market. Thus, the former commissioner proposes a new comprehensive strategy, which also targets policy areas that aren't normally regarded as policies for the single market, and which consists of three main sets of initiatives (Monti, 2010: 7): (1) Initiatives to build a *stronger* single market¹³; (2) Initiatives to build *consensus* on a stronger single market¹⁴; (3) Initiatives to *deliver* a stronger single market¹⁵. The Monti report points out the

¹⁰ Monti talks about two mutually reinforcing trends which lead to this lack of support: the "integration fatigue" (Monti, 2010: 23) – the decreasing appetite for more Europe and for completing the single market, which defined the EU before it was hit by the crisis in 2008 – and the "market fatigue" (*Ibidem*: 24) – the reduced confidence in the role of the market, since the crisis pointed out the limits of the market economy.

¹¹ Monti (2010, p. 6) points out the fact that integration was pushed only in some economic sectors, leaving the work unfinished in sectors which are important for the developing of a modern economy (e.g. the services sector). Monti also accuses that poor efforts have been made to ensure a space of freedom and opportunity for citizens, consumers and businesses (especially SMEs).

¹² Since other more stringent issues, such as the establishing of the monetary union, the enlargement towards Central and Eastern Europe or the need for an institutional reform, were pressing the political agenda, the interest in the single market decreased in the last 10 years. Monti (2010, p.15) believes that through the entry into force of the Lisbon Treaty, these problems have been addressed and, now, the political attention can be re-diverted towards the single market, since both the success of the monetary union and of the enlargement rests on the effective functioning of the single market.

¹³ These initiatives are designed to remove the remaining barriers and fill the gaps which are still fragmenting the single market, by enabling it to deliver economic growth and innovation. Among these initiatives are: creating a digital single market, exploiting the full potential of the single market for goods and services, ensuring geographical labour mobility within the EU (*Ibidem*: 36-66).

¹⁴ In line with the provisions of the Lisbon Treaty which calls for a single market based on a „highly competitive social market economy”, the Monti report examines the challenges and the possible lines of action in the area of free movement of workers, social services of general interest, public procurement, industrial policy, coordination of taxation policies and regional policy (*Ibidem*: 67-91).

¹⁵ These initiatives are meant to make the delivering of the single market more effective. Thus, the report presents some recommendations for ensuring simplified and more

central role of the Commission in advocating for more integration within the single market and in the enforcing – together with the Court – of EU single market related legislation; the Commission is also advised to encourage the Council to make full use the qualified majority voting on issues regarding the single market (*Ibidem*: 105). At the same time, given its permanent presidency, the European Council is called up to give a strong impulse to integration, by making the single market one of its key areas of action (*Ibidem*: 106). The report also recommends that there should be a more unitary approach on the single market within the institutions of the EU (the Commission, the Council and European Parliament) and this holistic view should be accomplished through creating groups of commissioners, members of the European Parliament and ministers coming from different policy areas having to do with the single market (*Ibidem*). Based on an extensive formal and informal consultation process with current or former members of the EU institutions and other stakeholders (e.g. consumers associations, business organizations, trade-union, NGO networks, organizations of regions and municipalities), the report emphasises the importance of subnational and supranational institutions in promoting the abolishing of any obstacles for completing the single market and, thus, for the integration of the member states. The strategy proposed by Monti also targets policy areas which aren't normally regarded as policies for the single market because it rests on the belief that integrating one specific sector, will push for integration within other connected sectors as well.

After receiving the suggestions from former commissioner Monti, the Commission published in October 2010 a report called “The Single Market Act” through which it calls for further strengthening of the “highly competitive social market economy” that would put the citizens of the EU at the heart of the single market as consumers, entrepreneurs and workers. In this respect, the Commission (2010b) developed 50 action proposals for improving the functioning of the single market, so that all EU citizens could benefit from its full potential; thus, the Commission made recommendations regarding three main lines of action: (1) creating preconditions for strong, sustainable and equitable growth for businesses; (2) creating better access to public services and infrastructure, increasing solidarity and enabling access to employment and life-long learning within the EU; (3) taking into consideration consumers needs and protection in drafting any proposal related to the single market. The report also calls for the establishing of a framework for permanent and transparent dialog between all stakeholders of the single market, in order for them to be able to get involved in each step of the decision-making, implementing and monitoring process of the Single Market Act

effective single market regulations. Some proposals are also made for strengthening the EU law enforcement, by creating a comprehensive system of remedies against breaches of EU law (*Ibidem*: 92-103).

(Commission, 2010b: 30). The Commission plays, once again, the central role in monitoring and enforcing the policies of the single market, thus providing an impetus towards the integration of member states' national policies. The Commission is responsible for evaluating the results of the implementation through conducting market surveys, creating consumer scoreboards, drawing up lists of citizens' main concerns about the single market and by organizing an annual single market forum¹⁶, which will involve the EU institutions, the local, regional and national representatives of the member states, national parliaments, citizens and other stakeholders.

The 50 measures proposed by the Commission within the Single Market Act were subject of a European public debate, between November 2010 and February 2011, and, after analysing the conclusions of the debate and receiving the views/conclusions/opinions of the European Parliament/Council/Committee of the Regions and European Economic and Social Committee, the Commission launched in April 2011 a policy action plan for 2011-2012, consisting of 12 levers to boost growth and reinforce citizens' confidence in the single market. The strategy described by the Commission is meant to put an end to market fragmentation and overcome the remaining barriers to the movement of goods, services, capitals and people, but also of innovation and creativity within the EU (Commission, 2011: 3). All the measures are designed to increase the citizens' confidence in the single market and ensure that all the benefits resulting from integration are passed on to the consumers. Thus, the action plan elaborated by the Commission will provide "a coherent political response to the gaps in the single market by presenting a model for sustainable, smart and inclusive growth in the framework of the Europe 2020 Strategy" (*Ibidem*: 5). In short time, the Commission is expected to present the necessary legislative proposals for implementing these 12 key actions¹⁷, so that the European Parliament and the Council will be able to adopt the first measures for re-launching the single market by the end of 2012. Through making proposals for developing new EU laws or reviewing and simplifying existing EU regulations in the 12 domains indicated in the action plan, the Commission has the opportunity of pushing towards further

¹⁶ The first Single Market Forum was held in Krakow on 2-4 October 2011 and brought together more than 1200 people, including citizens, representatives from the business community, social partners, NGOs, think tanks, journalists, public authorities and national parliaments, http://ec.europa.eu/internal_market/top_layer/simfo_2011/index_en.htm accessed on November, 14, 2011.

¹⁷ The Commission is expected to provide legislation proposals on the following 12 topics: access to finance for SMEs, mobility of citizens, intellectual property rights, consumer empowerment, services, networks, the digital single market, social entrepreneurship, taxation, social cohesion, business environment, public procurement (Commission, 2011: 6-19).

coordination between the economies of the 27 member states by means of positive integration.

5. Conclusion

The process of establishing the single European market and making it deliver at its full potential was, and still is, a continuous struggle to overcome the borders between the EU member states. As experience with the single market has shown, reducing the economic barriers between member states isn't enough for creating a genuine single market. When some borders are lifted, other economic or non-economic barriers might emerge and, for the integration process to continue, these new obstacles have to be overcome. Nevertheless, one cannot ignore the fact that, through gradually eliminating the barriers for the free movement of goods, services, capitals and people, the domestic policies of the EU member states have become more and more inter-dependent and coordinated. Thus, through the effort of completing the single market, the internal borders between the member states are continuously shrinking and the integration is progressing towards "more Europe".

The analysis within this paper has pointed out that the process of completing the single market is characterised by a mixture of negative and positive integration strategies. Thus, initiatives such as eliminating national rules which prevent the goods, services, capitals and people to move freely within the EU are combined with measures that replace those national regulations with common European ones.

The evolution of the single European market stressed out the importance of supranational and subnational actors in shaping the EU agenda in favour of moving towards a more integrated single market. The Commission is playing the leading role in pushing for further integration within the single market by making proposals on lifting barriers and developing common regulations, but also through monitoring the implementations of such measures. In delivering its role of enforcing the single market regulations, the Commission is helped by firms and NGOs, which identify the cases of non-compliance, and by the European Court of Justice, which helps in solving these cases (e.g. the *Cassis de Dijon* case, which led to the introduction of the mutual recognition principle that promoted more integration between the member states). The process of completing the single European market consists of measures taken towards integration (both negative and positive integration) in some of the economic sectors (e.g. trade, technology); this development was founded on the belief that a greater integration within a certain economic sector will push for integration within other sectors as well, and that would lead to a deeper integration of the member states' economies. Given these arguments of the existence of both functional and political spillovers in the

process of establishing and enforcing the single market, one can conclude that the neo-functionalist approach is the most suited to explain the process of integration which takes place through the single European market.

Although EU member states have different national approaches on the single market, resulting from their traditional economic culture, a consensus ought to be reached on EU level. Since, according to the Treaty of Lisbon, the EU shall establish a single market based on a highly competitive social market economy, one can say that the choice for the common European approach on the single market has been made. The public consultations prior to the launch of the Single Market Act in 2011 have shown that stakeholders are interested in both the single market's potential of fostering growth and employment, and its social dimension; this comes to confirm a strong public support for the common goal of establishing a highly competitive social market economy. Having the legitimacy to adopt this vision of the single market, the EU will have to engage in the establishing and reinforcement of this common European economic and social model. The Single Market Act has pointed out some of the levers to implement this model; these levers, together with the goals and action plans set by the Europe 2020 Strategy and its accompanying Flagship Initiatives are meant to contribute to the coordination and integration of national economic and social models, resulting in the extrapolation of the European model at the supranational level.

The debt crisis within the Euro-zone revealed something that was obvious, taking into consideration the definition given by the literature on economic integration for the economic and monetary union¹⁸: the European Economic and Monetary Union cannot function without a well-established single market. There has to be a better coordination of member states' economic policies for the Union to be able to perform well. Thus, it is necessary to complete the single European market in order to be able to fully benefit from the advantages of the single currency.

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¹⁸ According to the Hungarian economist Bela Balassa, the economic and monetary union is the fifth stage of economic integration and is based on the combination of a common market with a monetary union. Within an economic and monetary union, the member states are expected to coordinate their macroeconomic, monetary and social policies. Thus, according to this description, the European Economic and Monetary Union isn't a genuine economic and monetary union.

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